

Appendix Three – Breakdown of the New Anglia LEP Strategic Economic Plan for Norfolk and Suffolk

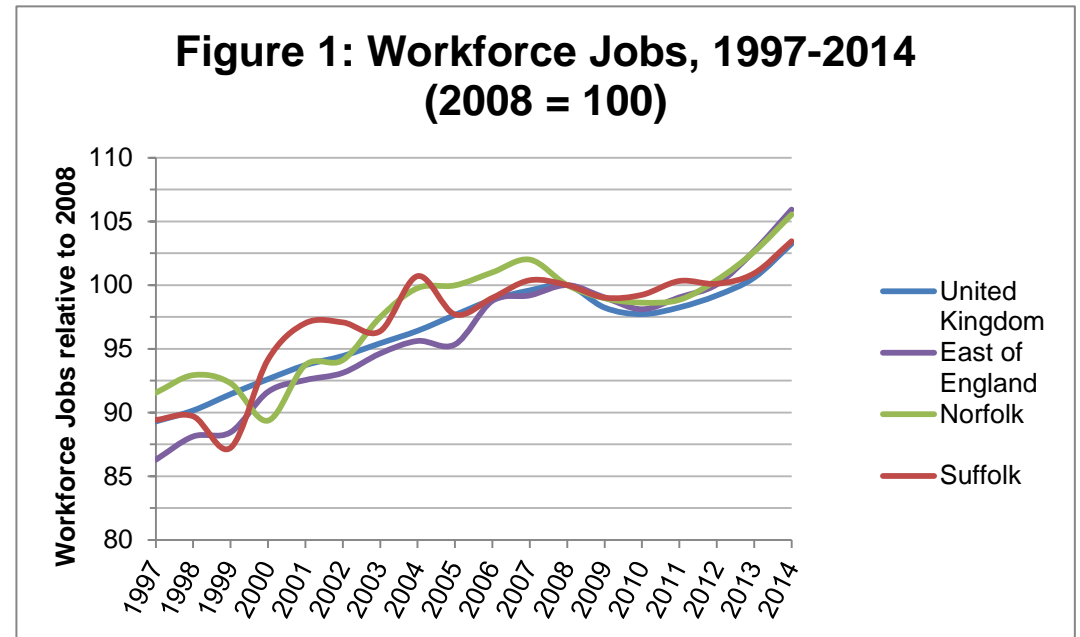
Jobs

Target, 2026: Additional 95,000 (63,000 business as usual and 32,000 from SEP interventions)

Current net progress: 20,500 (11,700 Norfolk, 9,900 Suffolk)

New Anglia has experienced strong recent growth in its labour market, comfortably recovering to pre-crisis levels. As can be seen from Figure 1, like much of the Eastern region, Norfolk and Suffolk showed greater resilience during the recession compared to national and other regional labour markets.

The regions recovery since 2009 has been unprecedented compared to previous recessions, and has outscored national averages. Since 2009, New Anglia’s labour market has grown by 5.6%, compared to 5.1% nationally, with employment and jobs totals now standing at record levels. Suffolk was one of the most stable labour markets during the recession, with the counties workplaces shedding far fewer employees than national and regional averages.



Policy-neutral forecasts, which exclude any current or future interventions, indicate a slower pace of growth in the future. This is predominantly because of supply-side factors; for instance because of subdued inward migration and retention of skilled working age peoples, labour supply will tighten further and firms will struggle to hire. This will especially be the case in Suffolk, which already has low unemployment and a high jobs density.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Suffolk WFJ	314,600	315,600	306,900	331,200	341,300	341,500	339,100	354,300	343,700	359,100	353,100	351,800	348,300	349,100	352,900	352,200	355,000	363,900
Y-o-y change	N/A	1,000	-8,700	24,300	10,100	200	-2,400	15,200	-10,600	15,400	-6,000	-1,300	-3,500	800	3,800	-700	2,800	8,900
Y-o-y change (%)	N/A	0.32	-2.76	7.92	3.05	0.06	-0.70	4.48	-2.99	4.48	-1.67	-0.37	-0.99	0.23	1.09	-0.20	0.80	2.51
Jobs Density	0.77	0.77	0.74	0.80	0.82	0.82	0.80	0.83	0.79	0.82	0.80	0.79	0.78	0.78	0.78	0.79	0.80	0.82
Norfolk WFJ	366,200	371,700	369,200	357,500	374,900	376,400	389,900	399,100	399,900	418,900	412,500	400,000	395,900	394,500	395,400	401,600	410,500	422,100
Y-o-y change	N/A	5,500	-2,500	-11,700	17,400	1,500	13,500	9,200	800	19,000	-6,400	-12,500	-4,100	-1,400	900	6,200	8,900	11,600
Y-o-y change (%)	N/A	1.50	-0.67	-3.17	4.87	0.40	3.59	2.36	0.20	4.75	-1.53	-3.03	-1.03	-0.35	0.23	1.57	2.22	2.83
Jobs Density	0.77	0.77	0.76	0.73	0.76	0.76	0.78	0.79	0.78	0.81	0.79	0.77	0.76	0.75	0.75	0.77	0.78	0.80

Housing

Target, 2026: Additional 117,000

Current net progress: 9,000 (5,300 Norfolk, 3,800 Suffolk)

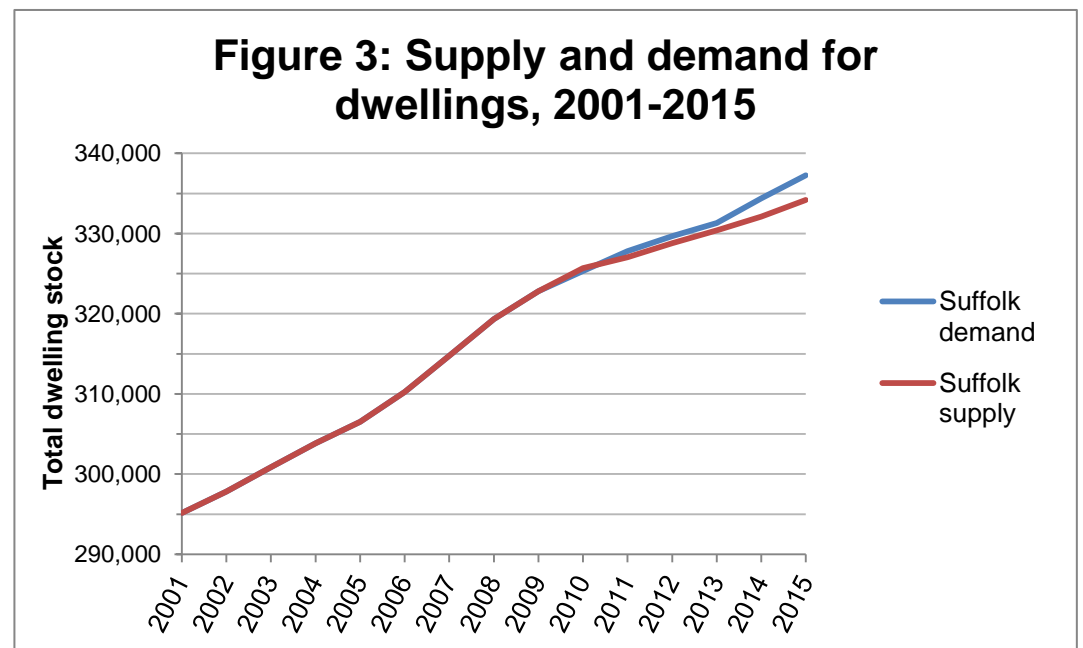
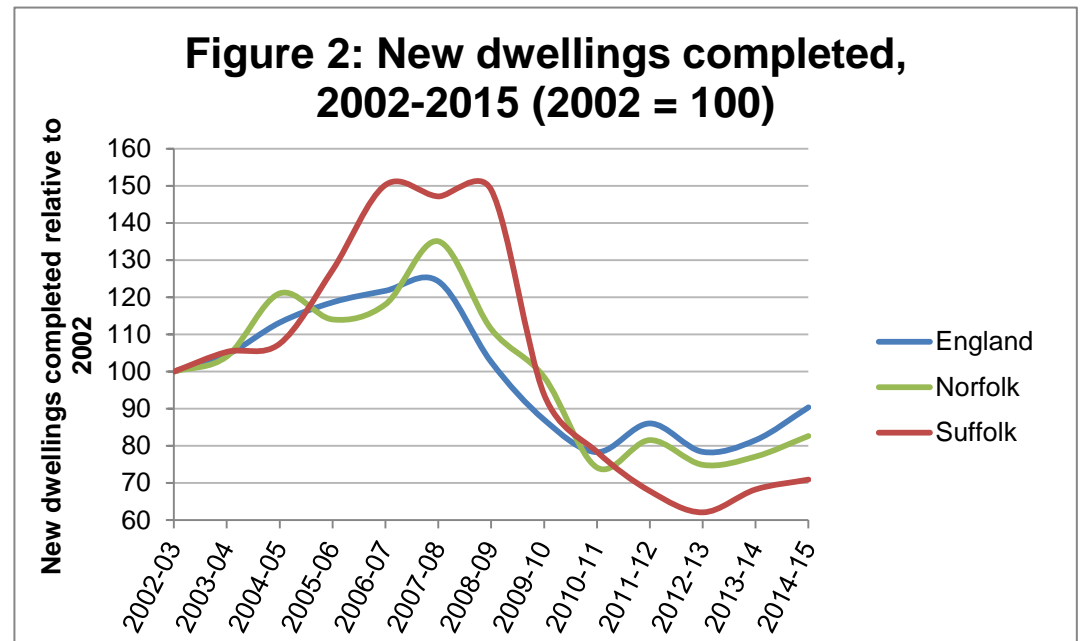
New Anglia’s housing market was severely impacted by the financial crisis, and has seen a subdued recovery. Against a backdrop of increasing demand (and rising house prices), the growth rate of the regions dwelling stock has plummeted, from 1.46% in 2008 to 0.57% in 2013. This has seen the emergence of a small, but increasingly growing, supply side shortage, which numbered roughly 7,000 dwellings in 2015 (3,000 in Suffolk).

The main reason for this supply side shortage is because, rather simply, not enough new homes are being built. This is clearly demonstrated in Figure 2, which shows the number of new dwellings being completed (i.e. coming onto the market) in the region.

Suffolk’s construction sector evidently bore the brunt of the regional property crash, with house building levels plummeting to less than half the rate before the recession. This caused a sudden divergence of the supply and demand for dwellings in the region. Despite actually exceeding demand before and shortly after the recession (see Figure 3), there is now a shortage of some 3,000 homes in the county.

If New Anglia’s dwelling stock was to continue to grow at the rate it has done since the recession (and excluding any current or future interventions), it would fall some 45% short of the LEP’s target and create a supply side shortage of some 28,000 dwellings (15,000 in Suffolk).

Nevertheless, it should be noted that the LEP’s target exceeds its



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expected demand trend, accommodating for any future population growth (especially of working age peoples). This will help to support progress toward our other ambitions; for instance a strong and sustainable growth in the labour market can only be achieved by increasing the supply of labour, which in turn will require increased levels of suitable housing.

Recently there have been signs of positive progress in the two counties housing market. As demonstrated in Figure 4, the number of new dwellings completed in the region has seen a small upsurge since 2013 (though slightly more subdued in Suffolk). This has also coincided with new figures showing strong growth in the output and employment of the Construction sector. This indicates increasingly positive momentum in the regions housing market, though a great deal of work remains to be done.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Suffolk supply of dwellings	295,130	297,810	300,850	303,860	306,530	310,230	314,750	319,340	322,810	325,700	327,030	328,820	330,400	332,100	334,180
Y-o-y change	N/A	2,680	3,040	3,010	2,670	3,700	4,520	4,590	3,470	2,890	1,330	1,790	1,580	1,700	2,080
Y-o-y change (%)	N/A	0.91	1.02	1.00	0.88	1.21	1.46	1.46	1.09	0.90	0.41	0.55	0.48	0.51	0.63
Suffolk demand for dwellings	No estimates pre-2010									325,340	327,820	329,680	331,300	334,385	337,274
Norfolk supply of dwellings	362,060	365,340	369,150	373,260	377,460	381,400	385,610	391,250	395,300	397,430	399,000	401,660	404,250	406,790	409,520
Y-o-y change	N/A	3,280	3,810	4,110	4,200	3,940	4,210	5,640	4,050	2,130	1,570	2,660	2,590	2,540	2,730
Y-o-y change (%)	N/A	0.91	1.04	1.11	1.13	1.04	1.10	1.46	1.04	0.54	0.40	0.67	0.64	0.63	0.67
Norfolk demand for dwellings	No estimates pre-2010									398,670	401,760	404,430	406,730	410,008	413,120

Gross Value Added (GVA)

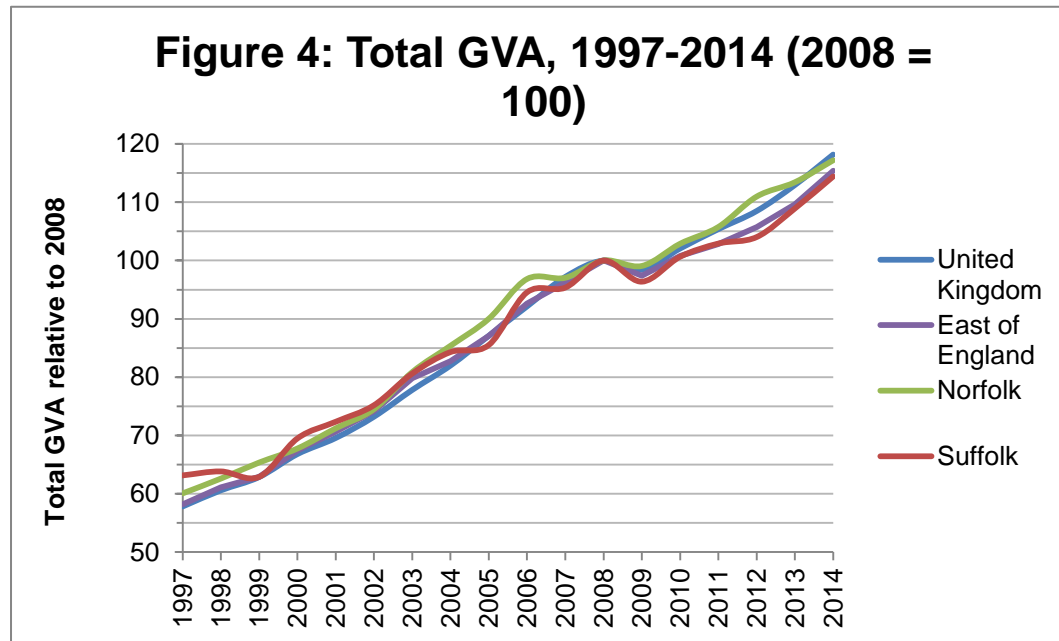
Target, 2026: Additional £14 billion

Current net progress: £1.3 billion (£600m Norfolk, £730m Suffolk)

GVA is a sum of all production in an area, and is an incredibly important indicator for measuring the growth and prosperity of sub-regional economies. The New Anglia region, as with its labour market, showed much greater resilience in the wake of the financial crisis than other regions. Its recovery has again been solid, with strong growth in a diverse range of industries (with especially reassuring growth in non-service sectors), at rates in line with the UK average.

Suffolk’s economy, despite retaining large amounts of labour, fared worse than national and regional averages, with local firms significantly curtailing output during the recession. Curiously, productivity levels in the county actually improved, indicating local firms may have shed lower value and unproductive workers, which though hitting overall output failed to deliver a serious blow to productivity.

Recently, the county has seen strong growth at rates above the national average. Looking forward, it appears that if the regions labour market continues to tighten, improvements in productivity would be the only opportunity for strong future growth in GVA. A high growth scenario shows the potential growth in output because of an increase in the size of the labour market, with the reward being even greater if this is tailored towards the regions key sectors.



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Suffolk GVA (£bn)	8,460	8,551	8,426	9,310	9,692	10,071	10,799	11,292	11,454	12,665	12,773	13,394	12,909	13,481	13,784	13,933	14,590	15,324
Y-o-y change	N/A	91	-125	884	382	379	728	493	162	1,211	108	621	-485	572	303	149	657	734
Y-o-y change (%)	N/A	1.08	-1.46	10.49	4.10	3.91	7.23	4.57	1.43	10.57	0.85	4.86	-3.62	4.43	2.25	1.08	4.72	5.03
Norfolk GVA (£bn)	9,520	9,923	10,359	10,740	11,288	11,809	12,816	13,531	14,264	15,346	15,379	15,847	15,700	16,303	16,759	17,584	17,974	18,571
Y-o-y change	N/A	403	436	381	548	521	1,007	715	733	1082	33	468	-147	603	456	825	390	597
Y-o-y change (%)	N/A	4.23	4.39	3.68	5.10	4.62	8.53	5.58	5.42	7.59	0.22	3.04	-0.93	3.84	2.80	4.92	2.22	3.32

Productivity

Target, 2026: Close gap with national productivity rate (gap currently of 11.7%)

Current net progress: Unknown (No up to date data – February release)

New Anglia’s labour productivity (as measured by the per filled job measurement) has long lagged behind the UK national average, as seen in Figure 5. This of course is no real surprise, considering the region’s economic and demographic structure.

However, the gap between New Anglia and the UK has increased since the recession. A constructed policy-neutral forecast shows that New Anglia will fail to close the productivity gap, with it actually opening further in the long run.

Nevertheless, it should be remembered that the UK’s productivity figures are considerably inflated by London, whose continued agglomeration of skilled labour and high value businesses has seen productivity levels incomparable to the rest of the UK.

Therefore, by removing London from the UK average, as seen in Figure 8, we see the productivity gap erode significantly, with New Anglia only being slightly below the non-London average. Suffolk meanwhile is within touching distance of the non-London average and some 4% higher than the Norfolk average.

Such a breakdown is made even more pertinent when utilising the per hour worked measurement (see Figure 6). This measure accounts for labour units that work longer and/or shorter hours than average; for instance, if a worker produces five cars in a 40

Figure 5: Labour productivity (per filled job), 2002-2013

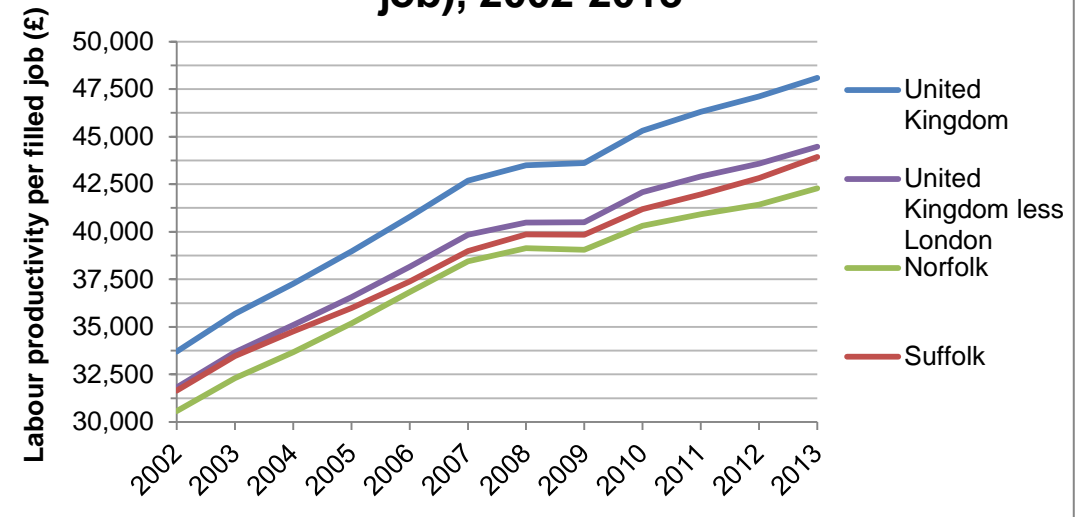
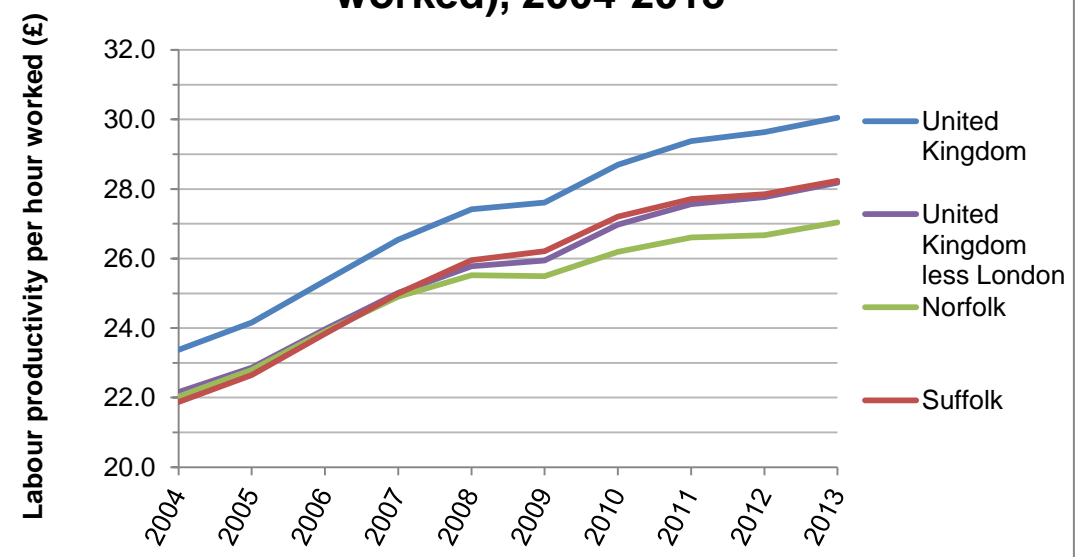


Figure 6: Labour productivity (per hour worked), 2004-2013



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hour week, they would appear more productive than a worker that produced three cars in a 20 hour week when analysed by per filled job. This is especially relevant for New Anglia, which has a higher than average number of part time and seasonal workers.

In this measure, Suffolk is actually above the non-London UK average and some 4.5% higher than the Norfolk average. However, across both measures, the productivity gap has failed to be eroded significantly. This is combined with the fact the region’s productivity is roughly 39% lower than the US average, 36% lower than the German average and 35% lower than the French average, reaffirming New Anglia is facing as much as a productivity puzzle as the rest of the UK.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Suffolk productivity (PFJ)	31,646	33,471	34,760	35,993	37,382	38,993	39,860	39,836	41,191	41,962	42,826	43,932
Y-o-y change	N/A	1,825	1,289	1,233	1,388	1,611	867	-24	1,354	772	863	1,106
Y-o-y change (%)	N/A	5.77	3.85	3.55	3.86	4.31	2.22	-0.06	3.40	1.87	2.06	2.58
Norfolk productivity (PFJ)	30,578	32,309	33,661	35,182	36,830	38,446	39,133	39,048	40,317	40,918	41,430	42,287
Y-o-y change	N/A	1,731	1,352	1,521	1,648	1,616	687	-84	1,269	601	512	857
Y-o-y change (%)	N/A	5.66	4.18	4.52	4.68	4.39	1.79	-0.22	3.25	1.49	1.25	2.07

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Suffolk productivity (PHW)	21.9	22.6	23.8	25.0	26.0	26.2	27.2	27.7	27.9	28.2
Y-o-y change	N/A	0.8	1.2	1.2	1.0	0.3	1.0	0.5	0.1	0.4
Y-o-y change (%)	N/A	3.52	5.26	4.87	3.83	0.97	3.82	1.85	0.50	1.37
Norfolk productivity (PHW)	22.0	22.8	23.9	24.9	25.5	25.5	26.2	26.6	26.7	27.0
Y-o-y change	N/A	0.8	1.1	1.0	0.6	0.0	0.7	0.4	0.1	0.4
Y-o-y change (%)	N/A	3.47	4.85	4.16	2.49	-0.12	2.76	1.57	0.23	1.38

Businesses

Target, 2026: Additional 15,000

Current net progress: 4,700 (2,700 Norfolk, 2,000 Suffolk)

New Anglia’s business stock has recovered well since the financial crisis, returning the pre-recession levels in 2013. 2015 saw the fastest growth rate in the regions business stock since the recession (which was also twice that of the previous fastest rate). Nevertheless, this rate is still well below UK and regional averages, with New Anglia’s recovery as a whole being much more subdued than these two comparators (see Figure 7).

Suffolk has broadly followed a similar pattern to that of Norfolk, highlighting the relatively static nature of the two counties business stock. This is mainly due to conflicting trends over enterprise births and enterprise deaths in the two counties.

As Figure 8 demonstrates, the two counties have business birth rates dramatically lower than national and regional averages. Pronounced drops over 2013-14 indicate the entrepreneurial spirit fanned by the recession has dampened. Though Suffolk is marginally ahead of Norfolk’s rate, it is still some 34% behind than the national trend.

Coupled with this are business death rates, again, lower than national and regional averages. Though this is a reassuring side of the line to be on, it can also indicate a lack of healthy churn, especially when coupled with below average business births rates.

This gives rise to the notion of companies who, assisted by record-low interest rates and lender forbearance, are tying up sparse

Figure 7: Active business stock (enterprises), 2008-2015

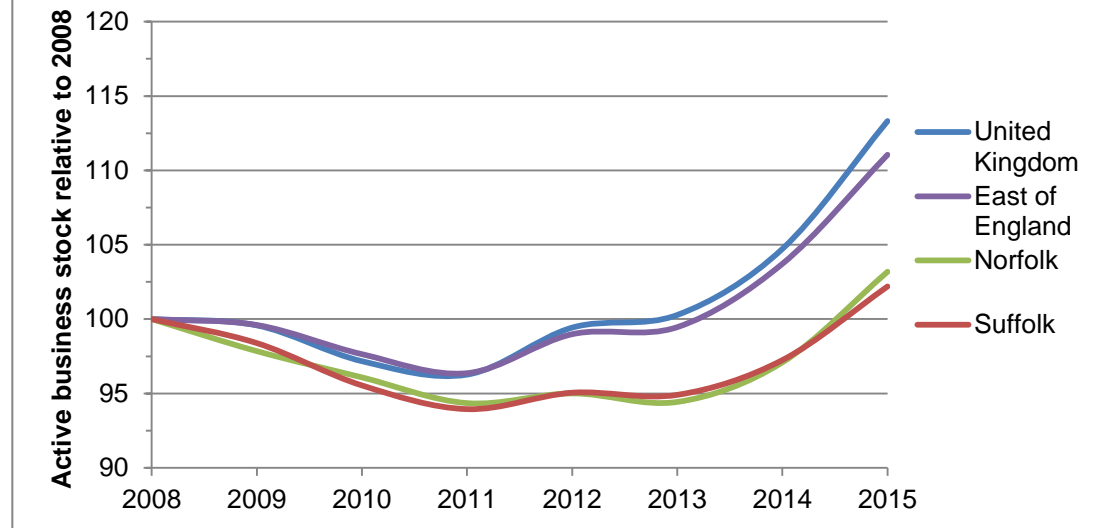
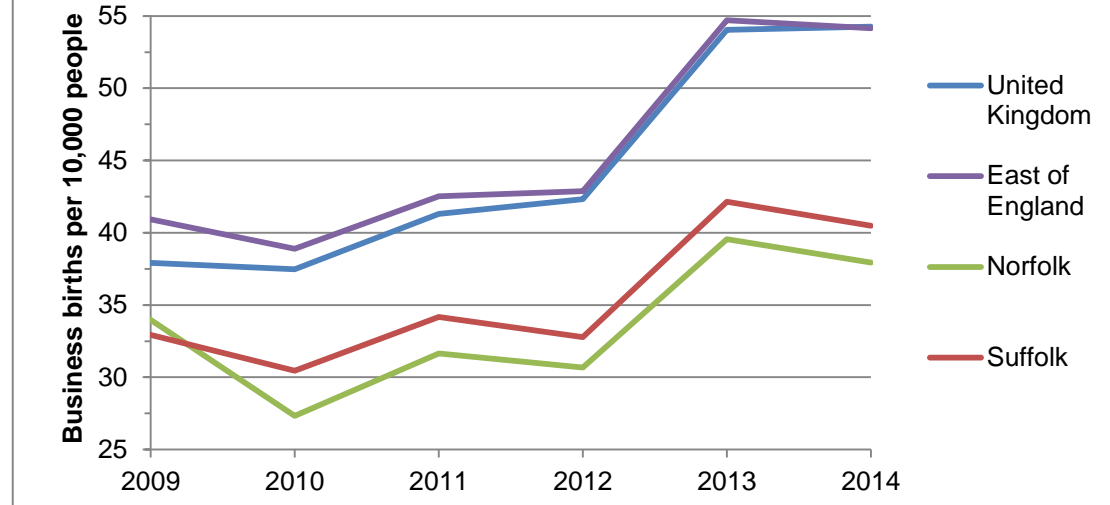


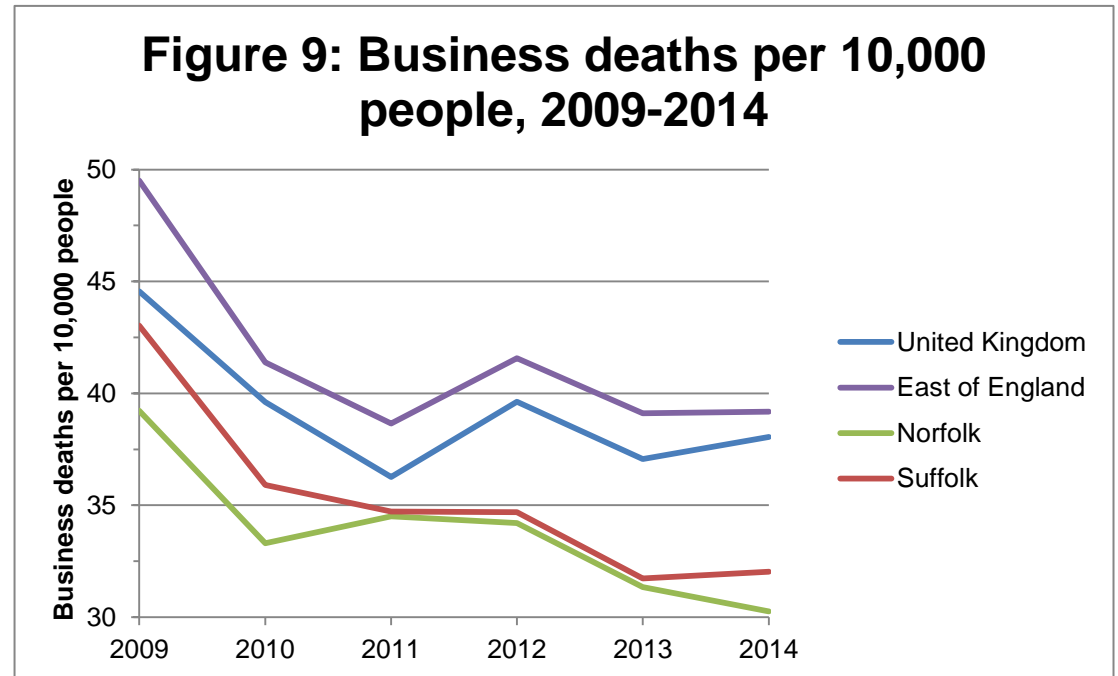
Figure 8: Business births per 10,000 people, 2009-2014



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resources such as capital and labour, which some regard as a key constraint to growth in the post-recession economy.

What is sure though is that continued growth of business stock, especially through an increase in business births, can help drive much-needed competition into the region, especially if directed in the right locations and sectors. This would help to increase productivity and output in the region, as well as facilitate a more dynamic and equitable labour market.



	2008	2009	2010	2011	2012	2013	2014	2015
Suffolk business stock	27,580	27,135	26,350	25,910	26,215	26,175	26,820	28,185
Y-o-y change	N/A	-445	-785	-440	305	-40	645	1,365
Y-o-y change (%)	N/A	-1.61	-2.89	-1.67	1.18	-0.15	2.46	5.09
Births per 10,000 residents	N/A	33	30	34	33	42	40	N/A
Deaths per 10,000 residents	N/A	43	36	35	35	32	32	N/A
Norfolk business stock	30,620	29,960	29,420	28,890	29,090	28,915	29,730	31,595
Y-o-y change	N/A	-660	-540	-530	200	-175	815	1,865
Y-o-y change (%)	N/A	-2.16	-1.80	-1.80	0.69	-0.60	2.82	6.27
Births per 10,000 residents	N/A	34	27	32	31	40	38	N/A
Deaths per 10,000 residents	N/A	39	33	34	34	31	30	N/A